BOOK REVIEWS.

The Principles of Economics, with Applications to Practical Problems. By FRANK A. FETTER. New York: The Century Co., 1904. 8vo, pp. xiii + 610.

Among the numerous textbooks of economics which have appeared in England and America in the last year or two, Professor Fetter's book is likely to take high rank. The fact that the theory is illuminated by constant references to practical life, and to such sides of life as college students are likely to come into contact with, and that it is also used to shed light on the larger problems of our current social life, is likely to render the book an attractive one for students and teachers. The author states that the book took shape in the course of regular teaching work, and that it represents the course of instruction which he has given in his classes. The careful reader of the volume will recognize in it numerous features bearing witness to its origin. Few teachers possessed of much individuality find the courses planned by others completely suited to their own needs and personal idiosyncrasies. Many, however, are likely to derive valuable aid from the study of the methods of Dr. Fetter, and, for those who share his views on fundamental economic doctrines, his work may well serve as a first-class textbook.

The present writer, while admiring the structure of Dr. Fetter's course, and appreciating the fact that students following such a course are likely to have a keen interest in economics developed, finds himself in the position of a critic compelled to assail the very foundations of Dr. Fetter's economic system. And yet the disagreement seems to be, in no small degree, a question of emphasis and of form, perhaps even one of terminology, rather than one which leads to any considerable divergence of view on most of the applications of principles to practice. So far as Dr. Fetter's discussion of the great questions of labor policy, of tariff, of monopolistic corporations, of railroads, etc., is concerned, if it were dissociated from his exposition of the doctrine of value and the theory of distribution, it is probable that a fundamental agreement rather than an essential difference of views would have been the deepest impression

left after a perusal of the treatise. How contradictory this seems! Can such differences of theoretic principles be of importance if they are not reflected in the application of those principles? Without attempting to discuss the point fully, it may be pointed out that sound judgment may sometimes overcome the handicap of a faulty or inadequate theory.

In regard to the differences of opinion referred to a discussion at length in this place would be both impossible and superfluous. The defects of the Austrian school in their treatment of value are no new theme. The views held by Dr. Fetter on the subject of rent and interest have been criticised and defended before American economists as recently as last Christmas, at the meeting of the American Economic Association in New Orleans. Consistency seems to require that one who holds the views on value characteristic of the Austrian school should take a position, in reference to rent and interest, like that taken by Dr. Fetter. If conditions of supply can be substantially ignored, the basis of the difference between the rent problem and the interest problem is largely cut away. But is it wise to abandon the study of the essentials of each of these two problems? Grant that rarely, if ever, the conditions contemplated are encountered, and that practical problems are mostly cases intermediate between the extremes conceived as presented in the pure rent and interest problems! Need the study of the idealized conditions be useless? Professor Fetter himself lays down the doctrine that we gain by a subdivision of complex questions. Let us take an analogy from physical science, where there is no doubt that the solution of practical problems is an important end subserved by the study. At the outset, who would dream of entering on the discussion of the properties of viscous fluids and elastic solids, merely because our personal experience is with such things, and not with either perfect fluids or rigid, inelastic solids? At the one extreme we have the perfect fluid, offering no resistance to displacement of its particles; at the other, a body whose resistance is conceived as absolute, a body not deformed at all by pressures applied to it. So, too, in the problem of value, we can study the case of an object freely reproducible and replaceable, or the case of an object absolutely incapable of being reproduced or replaced. Actual problems present some features of the one case, some of the other. That advantage may result from the consideration of the extreme cases, even though they be ideals never realized in practice,

is suggested by the experience of workers in other branches of knowledge.

As for the selection of terms, the use of the word "rent" to designate the income rendered by all durable forms of wealth, rather than in the customary, more limited application, need not be discussed at length here. It is proper to observe that there is no little probability that some of the difficulties arising in American minds over the restriction of the term by English writers would partly disappear if it were recognized that common usage in England does not admit the word "rent," and especially the verbal form "to rent," in such miscellaneous uses as is customary on this continent. It seems, further, to be overlooked that both the narrower signification of "rent" in classical political economy, and the concept to which Dr. Fetter applies the word, need designations.

Looking at the treatment accorded to cost of production, we observe that Dr. Fetter denies the occurrence of conditions of constant return, and appears to dispose of the case of increasing returns by some remarks to the effect that comparison of agriculture and manufactures must properly be made from the same point of view, the area of land utilized in either case being considered as fixed. The law of diminishing returns is, it is very properly pointed out, applicable to other cases than those in which land is the factor of production whose amount is regarded as fixed. Why not take a corresponding outlook upon the question of increasing returns? Can it be seriously contended that conditions properly describable by the phrase "increasing returns" are not found to occur in modern production? If that be the case, some consideration of the relation of these conditions to the value of the products should not be entirely excluded. When monopoly conditions are under discussion, the importance of this case is recognized, though but briefly.

In dealing with capital, the treatment adopted has not been wholly freed from apparent self-contradiction. Capital is defined as "economic wealth expressed in terms of . . . . value," "the value equivalent" of money invested in goods. "Expressed in the mobile form of capital," "wealth has become fluid in modern times." But "most capital is composed of things durable," "the things composing capital are concrete things," and "concrete capital cannot flow in to meet" a "need for ready money." The expression in terms of value fails, after all, to relieve us of the consideration of the concrete, nonmobile goods which form a large part of capital. It

has not made capital fluid, in the sense of rendering it capable of being transferred from one industrial use to another. No more has been effected than to secure a greater ease of change of ownership, through the institution of joint-stock companies and organized markets for dealing in the titles to ownership of the property of those companies, in the shape of stock and share certificates. The ready transfer of ownership may aid in the direction of newly created capital goods toward the most promising openings for investment. In this sense capital has become fluid, but something more fundamental seems to be implied in the language of Dr. Fetter's treatise.

Seeking for a definition of interest, we appear to find it in the following: "Interest, the amount paid according to contract . . . . for credit in terms of money." On the following page occurs a reference to "economic interest." Nothing in explanation of this "economic" interest, as distinct from something secured by contract, seems to be supplied. The word "interest" is used as if sufficiently understood, and, as the denomination of an important economic category, seems to be thrown aside. In this connection it may also be mentioned that the term "economic wages" appears to be employed in the sense in which economists have become accustomed to employ the term "normal wages." The change is the opposite of advantageous.

Among problems in which the one-sided treatment of value leaves most to be desired is that of the determination of the values of complementary goods. The problem is introduced, reference is later made to principles established in relation to it, but its intricacies need more exposition than is accorded them if these principles are to be regarded as satisfactorily established and available for application.

In expressing dissent from the positions taken by Professor Fetter, the writer desires to emphasize the fact that it is to the nature of the doctrines themselves that his criticism applies. Even Dr. Fetter's capable exposition entirely fails to give them the coherence and consistency which are a primary desideratum. It is to be regretted that, in their admiring acceptance of what is significant and novel in the treatment by Austrian writers of the problem of value, those American economists among whom Dr. Fetter holds a distinguished place have failed to grasp the importance of not rejecting the aid afforded by the study of the cost-of-production side of value. If the problem is conceived as one of the equilibrium of supply and demand, it seems reasonable enough to devote attention to utility as

that on which the value of a supply, changes in the amount of which are not contemplated, rests. But the equilibrium problem is not, in reality, one dealing with a supply of a certain amount, adjusted to the demand. It is rather to be regarded as that of a steady stream of goods supplied, regularly replaced as they are used up. Not even this is adequate, for we should consider the adjustment of the volume of the stream to meet the needs of a population growing in numbers, with increasing resources and developing tastes, or perhaps the opposite conditions of decline. In treating supply as a flow rather than as a stock, the impropriety of thrusting into an obscure corner the consideration of the forces maintaining the volume of the flow, is patent. It may be possible, by straining phrases, and by subtle mental gymnastics, to extract from the sole consideration of utility an explanation of the phenomena of value. But it is done at a great expense. We shall go further, and attain greater economy of mental effort, if we frankly admit the co-ordinate importance of the consideration of utility and cost.

It is barely worth while to direct attention to a few of those minor imperfections, in the volume under discussion, from which no book can expect to be entirely free. The discussion of crises before the theory of money has been treated seems hardly a satisfactory arrangement. In dealing with the subject of profits the language used practically amounts to the assertion that the dividends of shareholders in a joint-stock company are the earnings of the managers of the company. Is this generally true in any sense which would prevent the proposition being extended so as to cover the oft-made assertion that the employer's profits are stolen from his workpeople? When treating of English affairs, some slips are made by the author which are worth correcting. Thus Gresham's Law had reference originally, not, as alleged (p. 446), to gold and silver, but to full-weight and clipped or debased silver coins in concurrent circulation. The English people may, perhaps, still be debating the policy of free elementary education (p. 507), but they adopted it as far back as 1891. In comparison with the foregoing, the antedating of the venture of the Rochdale Pioneers by two years (p. 299) of Jevons' work on British coal supplies by four years (p. 88) and of the outbreak of the Boer War (p. 461) and of the great fire of London (p. 505) each by one year, are trivialities. Perhaps they are errors of the compositors.

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